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The New Business Imperative

**ADOPTING CROSS-FUNCTIONAL, COST-OUT
AND REVENUE-IN CAPABILITIES**

Whitepaper

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ORGANIZATIONS HAVE TO
MOVE QUICKLY TO ADAPT
TO HEIGHTENED CUSTOMER
DEMANDS AND CHANGING
CUSTOMER INTERACTIONS
IN A DIGITAL FIRST WORLD.

EXECUTIVE SUMMARY

With the digital footprint expanding consumers are demanding personalized and curated experiences. Companies will have to find ways of persisting investment value across domains that both drive down costs and improve top-line revenue simultaneously.

The authors contend that two opposing forces are at play in the online world: To succeed companies will need to find solutions that optimize the rising costs of digital explosion through process efficacy, and at the same time ensure that curated customer experiences allow online consumers to convert at a higher rate than previously experienced.

The focus needs to shift from functions that have traditionally been budgeted for separately and delivered in isolation, to investments that persist value across functions and domains. As companies wrestle with downward pressure on cost centers, cross-functional “never-fade” capabilities will offer insurance on bottom-line investments. At the same time the pressure to outperform traditionally understood top-line growth models is mounting. Organizations have to move quickly to adapt to the heightened customer demands and changing customer interactions in a digital first world. To do this they will not only need to go beyond leveraging investments made in downstream systems but will have to ensure that those systems deliver benefits outside of the traditional domains they are associated with, and then capitalize on them.

C-suite members across the spectrum need to ask questions beyond the obvious or they will remain mired in traditional approaches that the post COVID-19 world will render ineffective. Cross-functional capabilities that reduce costs through unrivaled efficacy while also helping grow top-line revenue must surface as crucial in assessing solution portfolios. Process owners of all levels need to rethink solving in isolation and ask more expansive questions that have at their core cross-functional cost-out and revenue-in orientations. Security professionals need to think beyond their organizational bounds and ask if effective bot mitigation solutions are able to augment or improve their companies’ traditional approach to fraud prevention or marketing led user acquisition strategies. Consider whether it is possible that as a cost center, they can show direct attribution to top-line revenue growth? Probe leadership on why they would not mandate that every investment made not only services adjacent domains but proves an ROI through revenue growth, quickly. Keep seeking capabilities that reduce the cost equation and (not or) boost the profit equation.

Shape Insert: In this context, Shape has a unique opportunity to consume the mind-share of the C-suite: We do not merely reduce costs or increase top-line revenue; we are the only platform that persists cross-functional investment value and simultaneously increases top-line revenue growth across web and mobile, substantially.

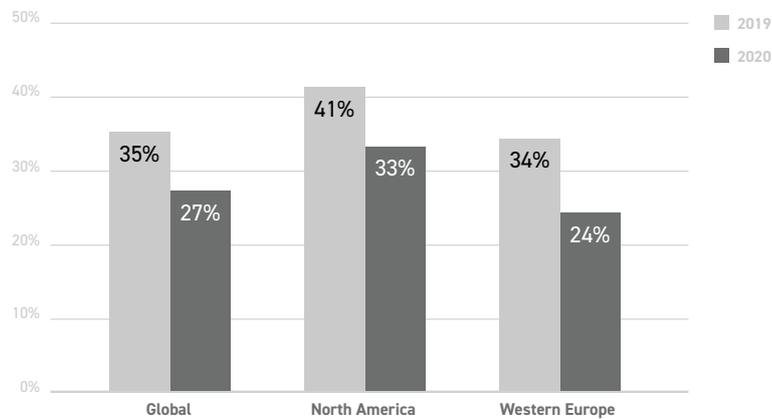
REVENUE CONCERNS ARE COMPOUNDED BY DISRUPTIVE, COMPETITIVE BUSINESS MODELS THAT LEVERAGE DATA, AI, AND CLOUD CAPABILITIES TO SCALE, EXPAND AND ADAPT.

REVENUE IS A TOP CONCERN FOR CEO'S AMIDST THE DIGITAL REVOLUTION DISRUPTING BUSINESS MODELS

Businesses that are championing data, AI and superior digital experience are thriving

A pre-COVID-19 survey of Global CEOs from PWC points out that revenue growth is a top concern. Only 25% of CEOs were confident of growth in revenue, down 12% from the 2019 survey, and the lowest since PWC conducted this survey since 2009. Companies that are leading the digital transformation are expanding while those that have resisted technology spend and digital transformation efforts have seen a reduction in revenue. Add to this the impact of COVID-19 and the shift is now towards revenue preservation rather than revenue growth.

Figure 1: PWC CEO Survey—% of CEOs with high confidence in revenue growth.



Retail Apocalypse: Between 2012 to 2019 over 12,000 retail stores have closed due to over expansion, rising rents, operating cost and the shift in consumer shopping patterns to e-commerce. The rising “digital first experience” has left several retailers filing for bankruptcies; Sears Holding, Toys R US, Forever 21, Barneys New York and most recently, the famed Neiman Marcus. During the same period Amazon was generating greater than 50% of retail sales. Customers are influenced by Amazon’s digital shopping experience and they expect similar experiences from their retailers, banks, airlines and every other daily online interaction. Amazon, Google, Facebook have permeated customers' daily lives and have constantly raised the bar on customer expectations. Customer shopping pattern data is an asset to organizations to understand trends and provide the next best personalized offer and shopping experience. Despite massive investments in analytical tools and technologies, organizations struggle to leverage vital insights. More importantly, siloed organizational culture compounded by not being customer centric has led to decisions that negatively impact their ability to be relevant to customers and thereby positively impact customer retention and growth.

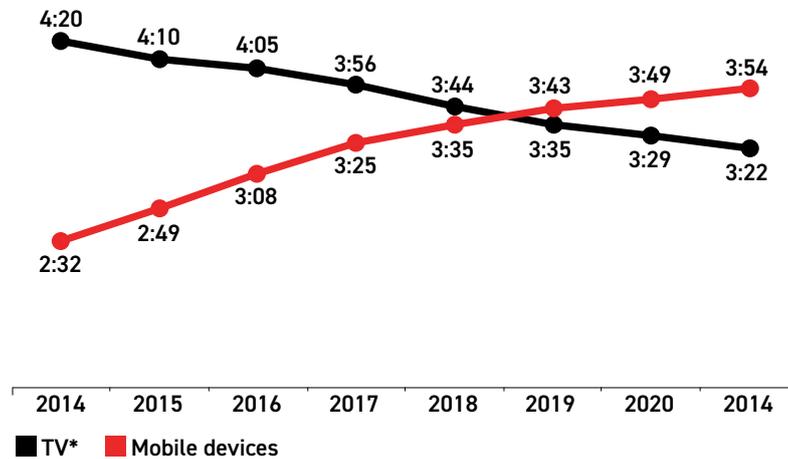
Banking Disruption: A September 2019 Report from Experian credit bureau reveals market share of Fintech in the personal lending space has increased to 49.4% (from 24.5%) compared to traditional financial institutions. Fintech has attracted massive venture capitalist investment due to the digital first approach with easy customer reach, new markets, and increasing competition. Nontraditional finance companies like Apple have launched credit cards with digital apps that reduced late payment fees and provided a good customer experience. Banks are faced with increased pressure from Fintech and Big Tech, made more urgent by a low interest rate environment. Pressure to reduce the costs of investments has caused a correlative pressure to increased revenue and margin. Already reeling from the online onslaught, banks are closing branches to save money and more recently, COVID-19 has led to forceful bank closures and reduced hours. There are similar trends in business disruption in every industry, that are primarily engaging consumers via mobile apps and online and IoT solutions.

CONSUMER SHIFT TO DIGITAL

Businesses that remove the last mile digital customer friction will see growth in customer and revenue

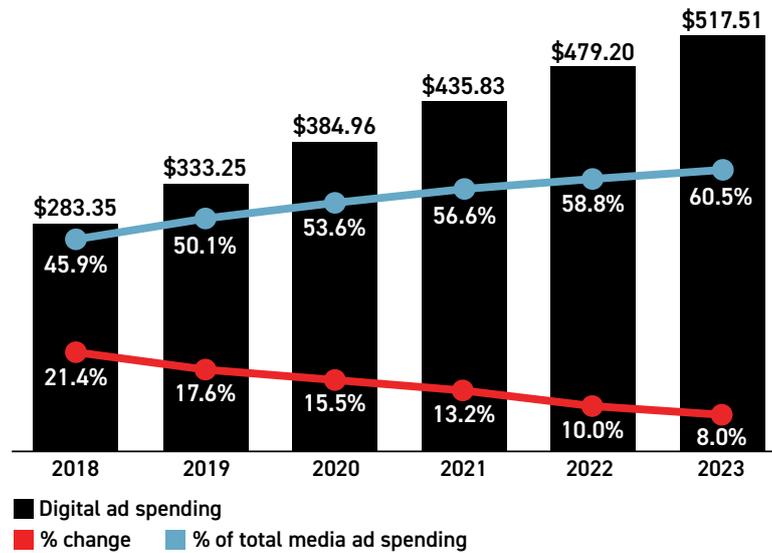
The explosion of Smartphones and rising digitization globally has changed human behaviors. A report from EMarketer now suggested that on average a person in the US spends more time on the mobile than in front of television. This has not only negatively impacted television advertising revenue, but seen digital marketing spend take precedence.

Figure 2: TV and Mobile Devices. Average time spent in the US, 2014-2021. Hrs:Min per day among population



It is expected that by 2023 digital marketing spend will be 60.5% of total media spending at \$517.51B worldwide. The main goal of digital ad spend is to drive traffic to their web and mobile channel to provide personalized consumer experience leading to sales conversion and increased revenue. Organizations are also working in the background to derive maximum benefit from the consumer data, leveraging machine learning and artificial intelligence to provide the next best offer and provide 1-click checkout experience.

Figure 3: Digital Ad Spending Worldwide, 2018-2023. Billions, % change and % of total media ad spending.



ANNUAL DIGITAL MARKETING SPEND IS \$385B EXPECTED TO GROW TO \$517B. IS THIS WELL SPENT IF ORGANIZATIONS DON'T ACTIVELY SEEK NEW WAYS TO INCREASE CONVERSION AND REMOVE LOGIN FRICTION?

In every industry there is a surge in pressure to increase revenue and reduce operating cost and loss. Digital transformation is imperative to remain in business. Signaling renewed urgency to increase revenue across the board, IDC estimates organizations will spend \$7.4 trillion dollars on digital transformation efforts between 2020 to 2023.

Shape Insert: Shape is able to help overcome revenue and digital shift challenges by increasing customer conversion rates by up to 30%. This can improve revenue by 1% to 2% amounting to millions of dollars. Across all industries we have noticed for example that 10-15% of online consumers hard fail at log-in. Our unique approach to user legitimization allows us to recapture 50% or more of those - meaning 5-7% of "lost users" are returned. This is important because existing customers spend at a greater rate than those using guest checkout. During a 10-day online sales motion at one large retail customer we were able to return 15k users that amounted to 1800 orders for \$360k in revenue daily. Curating experiences for existing online consumers is turning out to be more lucrative than acquiring new online consumers in the post COVID-19 world.

THE MOVE TOWARDS A BIGGER DIGITAL FOOTPRINT EXPOSES A BIGGER ATTACK-SURFACE

Businesses need to prepare for a larger and more dynamic attack surface

The threat to a secure online presence remains one of the top 10 concerns for growth in the PWC CEO survey. Globally fraud loss is increasing in double digits. The rate of digitization suggests that as growth and attack surfaces increase, more and more consumers are forced to seek services online.

ARE ORGANIZATIONS PREPARED FOR INCREASED FRAUD ATTACKS IN AS THEIR DIGITAL FOOTPRINT EXPANDS? ARE YOUR SECURITY AND FRAUD SOLUTION-SETS READY FOR NEW DIGITAL ATTACKS ACROSS WEB AND MOBILE?

Fraud losses spike amid a bigger and more porous attack surface

Credit card fraud loss alone worldwide is \$28B and in US \$12B in 2019. It is estimated 10% - 20% of credit loss is first-party fraud loss, estimated to \$10-\$20B in additional losses, and this is just in credit cards.

Fraud loss is further compounded by rising data breach incidents. E.g.: 150 million US consumer credit files containing PII information were exposed from the Equifax Data breach. Combined with this, consumers are lured into SMSing and Phishing, Malware and several other fraud schemes. Fraud loss across all industries is expected to be increasing.

Fraudsters are eyeing the COVID-19 stimulus packages, robbing consumers and the economy of the benefits of these initiatives. For government programs about 10% is expected to be lost to fraud. If we factor fraud loss from other financial products and industries such as retail, airlines, health care, Telecom, Entertainment and other industries, the fraud loss is in hundreds of billions of dollars and estimated total cost of fraud and financial crime in trillions of dollars. Cost of fraud, i.e. indirect cost of investigation and operations cost, system unavailable, foregone revenue due to attrition as a result of consumer dissatisfaction, regulatory fines and remediation cost (including technology and process improvements mandated by regulatory agencies).

Figure 4: 2019 Nilson Report—US Credit Card Fraud Loss (\$Billions)

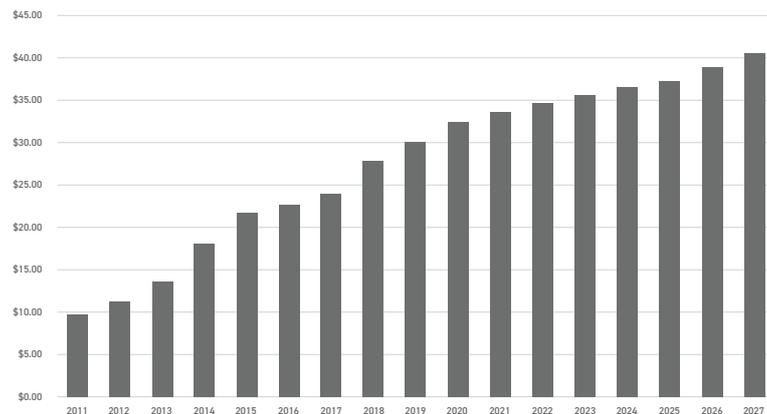
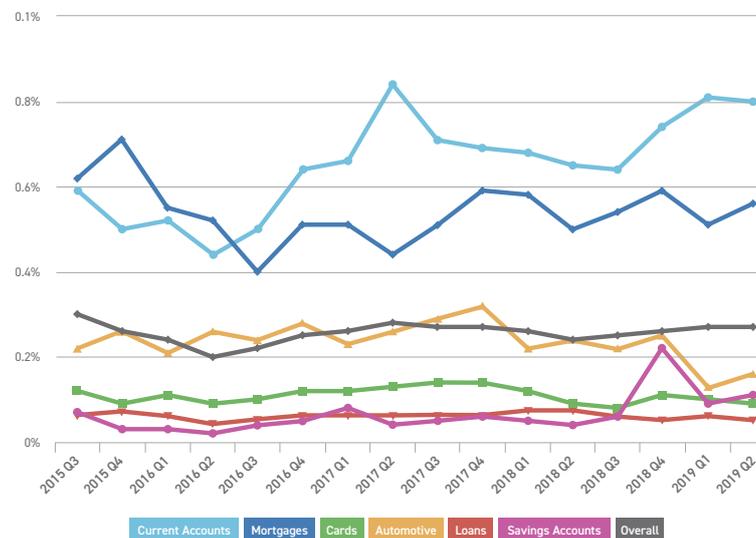


Figure 5: Experian UK fraud loss trends.



Experian Global Identity and Fraud report highlights mobile account takeover doubling in the last 4 years. 180% increase in retirement account fraud, with baby boomers being the target of fraudsters as they retire with wealth created during their lifetime. On the one hand we see a rise in organizations concerned about revenue, increasing digital spend, and providing a more personalized consumer experience to increase consumer loyalty. On the other hand, organizations strive to reduce losses, and fraud loss being one of them

Shape Insert: Shape consistently reduces unwanted synthetic traffic by between 70-90% depending on vertical. Add to that the over 400M credit card and bank accounts as well as 350M loyalty accounts that Shape protects and it becomes clear that our network substantially enhances our clients' fraud detection capabilities. Having effectively removed unwanted synthetic traffic and human fraud, we stand behind the claim of having the cleanest human transaction data for use in our closed loop AI system. By operating in a cross-functional fashion, Shape boasts a higher detection rate, lower false positive rate, saves \$MM in fraud loss and an even higher reduction in total cost of fraud. Customers deploying our anti-fraud capability regularly enjoy returns in excess of 5 times their investment before calculating in reduced operational costs and higher system uptime.

THE MOVE TOWARDS CROSS-FUNCTIONAL RUNTIME CAPABILITIES

Businesses embracing cross-functional capabilities that curb costs and grow revenue will surface as winners

At the commencement of this paper, the authors suggest that there are two opposing forces that are at play in the online world: for companies to succeed they will need to find solutions that "optimize-out" the rising costs of the digital explosion through process efficacy, and at the same ensure that curated customer experiences allow online consumers to convert at a higher rate than previously experienced.

The single greatest challenge to overcome is finding capabilities that offer the opportunity to both reduce bottom-line cost and in so doing, increase top-line revenue. Put differently, companies should inspect their portfolios and divest in capabilities that provide only cost-out or revenue-in outcomes in favor of those that do both. To find these capabilities, c-suite members must be bold enough to ask internal processes owners to think beyond their domains and relentlessly look to solve through cross-functional cost-out and revenue-in capabilities.

Shape Insert: Shape, as a cross-functional cost-out and revenue-in platform equips customers with the ability to reduce pressure on the bottom-line and simultaneously grow top-line revenue. Evolving beyond the synthetic traffic detection and mitigation capability, Shape has developed the ability to reduce human related fraud activity in an unrivaled way, ensuring that only legitimized users enter your systems and benefit from your investments.

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